

SIMPSON-SEARS LIMITED ANNUAL REPORT 1976



Directors and Officers

Directors

Jack C. Barrow
Thomas J. Bell
G. Allan Burton
James W. Button
John F. Gallagher
Charles L. Gundy
Jack F. Kincannon
Gordon M. Metcalf
Douglas J. Peacher
Charles B. Stewart
John D. Taylor
James M. Tory
William P. Wilder
Arthur M. Wood

Crowdus Baker (Honorary Director)

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Edition française du rapport annuel.

On peut se procurer l'édition française de ce rapport en écrivant au Vice-président, Finances. Simpsons-Sears Limitée, 222 Jarvis Street, Toronto, Ontario, Canada M5B 2B8

Officers

Jack C. Barrow	Chairman of the Board and Chief Executive Officer
John D. Taylor	President
C. Lester Bishop	Vice-President, Finance
Alex Campbell	Vice-President, Operating
David S. Chapman	Vice-President, Merchandise Distribution
Norman S. Cuthbert	Vice-President, Public Relations
Frank R. Hammond	Vice-President, Retail
H. Alexander King	Vice-President, Personnel
Joseph R. O'Kell	Vice-President and Secretary
Morgan Reid	Vice-President, Planning and Development
C. Richard Sharpe	Vice-President, Merchandising
James E. Copland	Corporate Comptroller
Larry E. Ginther	Treasurer
J. J. Michael Eagan	Assistant Secretary

SIMPSONS-SEARS LIMITED AND SUBSIDIARY COMPANIES ANNUAL REPORT FOR THE FISCAL YEAR ENDED JANUARY 5, 1977

Catalogue Centres Catalogue Sales Offices • Retail Stores

Catalogue Centres

Halifax, Nova Scotia
Toronto, Ontario
Regina, Saskatchewan
Vancouver, British Columbia

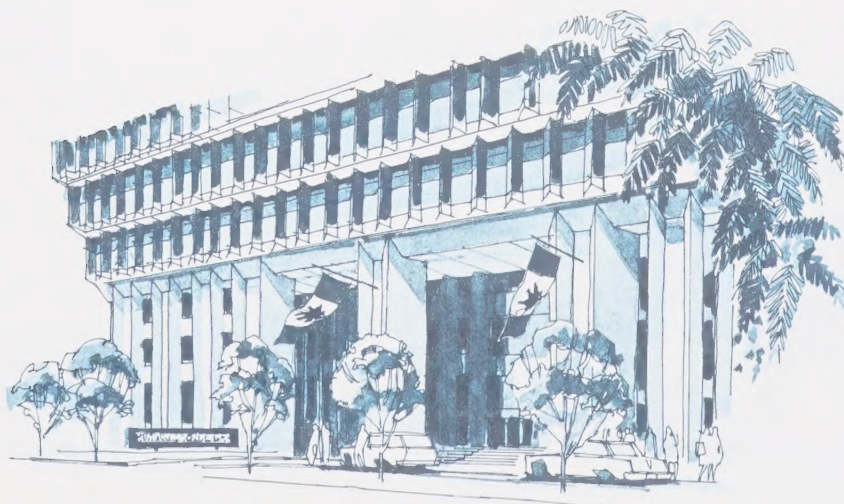
717 Catalogue Sales Offices

59 Retail Stores

Barrie, Ontario
Belleville, Ontario
Brantford, Ontario
Burlington, Ontario
Burnaby, British Columbia
Calgary, Alberta
Chinook-Centre
North Hill
Chicoutimi, Quebec
Chilliwack, British Columbia
Dundas, Ontario
Edmonton, Alberta
Bonnie Doon
Kingsway
Meadowlark
Fredericton, New Brunswick
Guelph, Ontario

Hamilton, Ontario
Hull, Quebec
Kamloops, British Columbia
Kelowna, British Columbia
Kingston, Ontario
Kitchener, Ontario
Lethbridge, Alberta
Levis, Quebec
Mississauga, Ontario
Montreal, Quebec
les Galeries d'Anjou
Mail Champlain
Place Vertu
Moncton, New Brunswick
Moose Jaw, Saskatchewan
Nanaimo, British Columbia
Newmarket, Ontario
North Vancouver, British Columbia
Oshawa, Ontario
Ottawa, Ontario
Carlingwood
St. Laurent
Peterborough, Ontario
Prince Albert, Saskatchewan
Prince George, British Columbia

Quebec City, Quebec
Fleur de Lys
Place Laurier
Richmond, British Columbia
Richmond Hill, Ontario
Saint John, New Brunswick
Sarnia, Ontario
Saskatoon, Saskatchewan
Sault Ste. Marie, Ontario
Sherbrooke, Quebec
St. Catharines, Ontario
St. John's, Newfoundland
Sudbury, Ontario
Surrey, British Columbia
Thunder Bay, Ontario
Toronto, Ontario
Trois-Rivières, Quebec
Vancouver, British Columbia
Victoria, British Columbia
Windsor, Ontario
Winnipeg, Manitoba
Garden City
Polo Park



Sears

Simpsons-Sears Limited

Head Office,
222 Jarvis Street,
Toronto, Ontario, Canada
M5B 2B8

Transfer Agent and Registrar

The Royal Trust Company,
Toronto, Ontario;
Montreal, P.Q.;
Calgary, Alberta

SIMPSON-SEARS LIMITED AND SUBSIDIARY COMPANIES

Financial Highlights

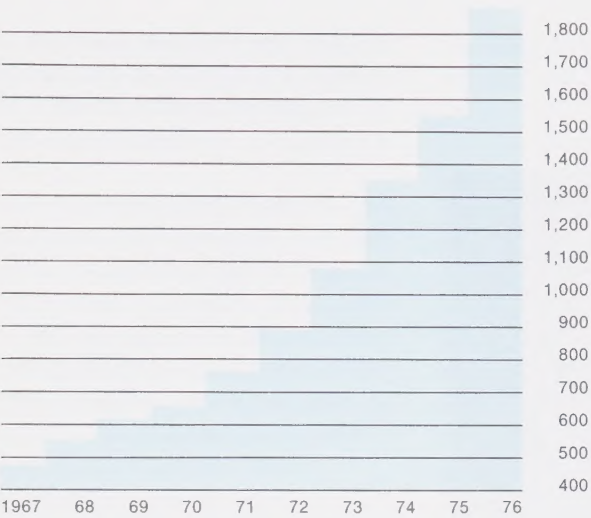
	1976	1975
Net sales	\$1,890,827,000	\$1,548,600,000
Net earnings	33,174,000	32,118,000
*Per share	.44	.47
Dividends declared	18,037,000	17,159,000
Per share	.24	.24
Shareholders' equity	362,597,000	345,066,000
Per share	4.82	4.60
Municipal realty and business taxes	18,240,000	13,352,000
Federal and provincial income taxes	26,906,000	28,993,000
Depreciation	26,566,000	23,795,000
Contributions to Simpsons-Sears Plan for Sharing Profits and Company and Government Pension Plans	13,832,000	9,087,000
Expenditures for fixed assets	40,305,000	69,664,000

*Based on weighted average of shares outstanding during the fiscal year.



Prince George,
British Columbia
Pine Centre

SIMPSON-SEARS LIMITED AND SUBSIDIARY COMPANIES



Sales millions of dollars

Consolidated net sales of \$1,890,827,000 in 1976 showed an increase of 22.1% over 1975. The compounded average increase for the ten-year period 1967 to 1976 was 16.7% per year.



Earnings millions of dollars

Consolidated net earnings, after taxes, which amounted to \$33,174,000 in 1976 showed an increase of 3.3% from 1975. The compounded average increase for the ten years 1967 to 1976 was 11.2% per year.

Earnings per share, based on the weighted average of shares outstanding during the year, were 44¢ in 1976 compared with 47¢ in 1975 and 22¢ in 1967.



Shareholders' Equity

Total shareholders' equity increased from \$98,956,000 at the end of 1966 to \$362,597,000 at the end of 1976 and shows a compounded average annual growth of 13.9% over the ten-year period. Equity per share which was equivalent to \$1.80 at the end of 1966 increased to \$4.82 at the end of 1976.

Years 1974 and 1968 include 53 weeks

Report to Shareholders



Jack C. Barrow Chairman of the Board



John D. Taylor President

Net sales for the fiscal year 1976 were \$1,890,827,000 compared with \$1,548,600,000 in 1975, which amounted to an increase of 22.1%.

Net earnings for the year were \$33,174,000 and represent 1.8% of net sales compared with 2.1% of net sales in 1975. Per share earnings, based on the weighted average number of shares outstanding during the year, were 44¢, compared with 47¢ per share last year.

Earnings from operations amounted to \$30,148,000 in 1976 compared with \$29,401,000 earned in 1975. While we enjoyed stronger sales, particularly in our Catalogue Operation, our earnings from operations were affected by heavy mark downs on seasonal merchandise, start up costs for new stores and support facilities, as well as the increasing costs due to inflation.

Simpsons-Sears equity in earnings of associated companies contributed 4¢ per share to the earnings of the Company. These associated companies are Allstate Insurance Company of Canada, Allstate Life Insurance Company of Canada, Photo Engravers and Electrotypers Limited, Inglis Limited, and interests in several shopping centres in which Simpsons-Sears stores are located.

Quarterly dividends of 6¢ per share were declared during 1976 for a total of 24¢ per share, which was the same as 1975.

As noted in our 1975 report, significant changes were made in our retirement income program effective January 1976. Under the new Guaranteed Retirement Income Plan, the Company contributed \$6,836,000 to provide

employees retirement income. In addition, the Company contributed \$4,714,000 to the Canada and Quebec Pension Plans.

Our new Plan for Sharing Profits, which enables our employees to participate in the growth of Simpsons-Sears, received overwhelming support from eligible employees. In its first year, the Company contributed \$2,282,000 to this plan. This amount was added to employee deposits for the purchase of Simpsons-Sears Limited Class A shares.

The total contribution by the Company to these plans amounted to \$13,832,000 compared with \$9,087,000 paid to the previous plans in 1975.

In July and November of 1976 a total of \$65,000,000 was added to the working capital of the Company, by the issue of \$20,000,000—9¾% Debentures Series O to mature August 1, 1983, \$35,000,000—10¾% Debentures Series P to mature November 15, 1996, and \$10,000,000—10¾% Debentures Series Q to mature November 15, 1988.

Our orderly expansion program continued in 1976. Three new Retail stores were opened in Vancouver and Prince George, British Columbia and in Montreal, Quebec. One existing store was relocated to new larger premises in Edmonton, Alberta. A total of 59 Retail stores were in operation at the end of the year. A large warehouse to serve the mid-west is under construction in Regina, Saskatchewan. When completed, the building will consolidate a number of warehouses and will provide better service for our growing business in the three Prairie Provinces. The 1,400,000 square foot

Montreal Distribution Centre, built last year, became fully operational in early 1976. Capital expenditures for the expansion program were \$33,800,000 during the year.

In the current year, we plan to open three new stores: Carrefour du Nord, in St. Jerome, Quebec; Markham Marketplace, in Markham, which will be our fifth store in the Toronto Region; and Marlborough Town Square, our third store in Calgary, Alberta. Capital expenditures for the expansion program in 1977 are estimated to be \$33,000,000.

On April 19, 1976, Mr. D.J. Peacher, President of Simpsons-Sears Limited since 1966, retired. During his tenure, the Company has grown and matured. We extend to him our gratitude and best wishes for the future, and we are pleased that Mr. Peacher remains a Director of Simpsons-Sears.

In April 1976, Mr. John D. Taylor was appointed President and a Director of the Company. During 29 years with Sears, Roebuck and Co., Mr. Taylor has held numerous senior retailing and merchandising positions.

Mr. Crowds Baker, a Director of the Company since it was founded in 1952, retired. Mr. Baker was a great strength to the Board and to the Company, especially in its formative years. He was appointed an Honorary Director in March 1976.

To meet the needs of our expanding Company, three new Offices were created in 1976: Mr. D.S. Chapman was appointed Vice-President, Merchandise Distribution; Mr. F.R. Hammond was appointed Vice-President, Retail and

Mr. J.E. Copland, Corporate Comptroller. In addition, the following Officers were appointed: Mr. C.L. Bishop, Vice-President, Finance and Mr. L.E. Ginther, Treasurer.

It is with sorrow that we report the death on June 10, 1976 of Mr. F.R. Southmayd, Vice-President, Finance. Throughout his long and responsible career of 30 years, Mr. Southmayd contributed greatly to the growth of Simpsons-Sears. His sound advice and counsel will be missed.

The results achieved in 1976 were made possible by the outstanding performance of our employees and the dependability of our suppliers. To them, we express our sincere thanks.

To our customers without whose loyalty we could not exist, we express our sincere appreciation, and renew our pledge that we will do our best to continue to merit their confidence.

Although there is some economic uncertainty at this time, we are confident that through continuing improvement in our merchandise programs, constant attention to our operating ratios and expansion of our facilities, we will further improve our sales and profit performance in 1977.


Chairman


President

March 28, 1977

A COMPANY OF PEOPLE BUILDING FOR THE FUTURE



When Simpsons-Sears telephone order staff finish for the day, our customers can still place orders in most large Canadian cities. Our telephone recording equipment takes over, providing customers with a 24-hour shop-by-phone service. Whatever the time of day or night, Simpsons-Sears is ready to take those all-important customer orders.



At Simpsons-Sears we utilize the newest technology to meet the challenge of changing times. We are continuing to develop our computer systems in order to provide better customer service.

We sincerely believe that only through superior service at every level of our business can Simpsons-Sears expect to earn and maintain the loyalty of our customers. Our company is judged through customers' experiences in dealing with individual staff members ... a service call or a delivery to the home, a sales person in a retail store or a voice over the phone taking a catalogue order. It is our aim that every employee who represents Simpsons-Sears show true concern for the satisfaction of our customers. Personnel selection is based on this potential. Much of the know-how can be learned on the job, but more and more, the skills of the business are being taught in our own training schools, meetings and seminars.



Simpsons-Sears employees conduct an annual drive throughout the company for contributions to Charitable Funds. These once-a-year campaigns are supported generously by our employees from coast to coast and help to provide funds for many dedicated community organizations.



You will find bright, modern Simpsons-Sears stores serving all major markets from St. John's, Newfoundland to Victoria, B.C. All are designed to reflect the tastes and needs of today's shoppers. Through our professional centralized buying organization, a customer in Moncton can buy exactly the same high quality Kenmore refrigerator or Craftsman radial arm saw, as the customer in Victoria. Our sturdy 'Toughskins' jeanswear can be enjoyed equally by customers in New Brunswick or Alberta. Anywhere in Canada, a Simpsons-Sears customer can be confident of receiving sound values in merchandise. And to add to customer-confidence, everything we sell is covered by Simpsons-Sears guarantee: satisfaction or money-refunded.



We say "Satisfaction or Money Refunded", because that is exactly what we mean. We believe this long-standing policy provides shopping confidence for Canadians.



Simpsons-Sears employees actively participate in the blood donor program. Twice a year, the Canadian Red Cross sets up convenient clinics at several major Simpsons-Sears centres across the country ... just another way in which Simpsons-Sears people make a valuable contribution to the community in which they live.

The Microfiche system has proved a revolutionary time-saver in Simpsons-Sears parts warehouses right across the country. Information on 450,000 parts can now be stored in a container the size of a recipe box. It takes just seconds for our busy warehouse staff to check through a viewer and locate the part they need.



As Simpsons-Sears grows, it is necessary that our manufacturers and suppliers grow with us. The close working relationship that exists between our buying organization and our suppliers has resulted in the development of many superior items. We attach top priority to the continuing expansion of our product development program.



Simpsons-Sears buyers receive ongoing training in our product-development concept through buying seminars and workshops. Qualified Simpsons-Sears buyers are professionals with a sound knowledge of their lines, from raw materials right through to the finished product.



Youth clubs, recording books for the blind, coaching teams, local theatre, providing special services for the aged and the handicapped ... a small sampling of the many worthwhile community activities to which hundreds of Simpsons-Sears employees devote much of their spare time.

Working closely with the merchandising departments, Simpsons-Sears team of catalogue specialists prepare our 'silent salesmen'. Sears catalogues are unique in that they give the consumer more product information about a wider range of merchandise than can be found in any other single form of Canadian advertising. In fact, they bring a complete department store right into the homes of Simpsons-Sears customers.



SIMPSON-SEARS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statements of Earnings and Retained Earnings

Consolidated Earnings	Fiscal year ended	
	January 5, 1977	January 7, 1976
Net sales, including service charges on instalment sales . . .	\$1,890,827,000	\$1,548,600,000
Rentals and other income	3,395,000	2,882,000
	1,894,222,000	1,551,482,000
Deduct:		
Cost of merchandise sold and selling, operating and administrative expenses	1,738,289,000	1,410,322,000
Depreciation	26,566,000	23,795,000
Interest on long term debt (including amortization of discount and expense)	36,919,000	32,769,000
Other interest	17,154,000	12,850,000
Municipal realty and business taxes	18,240,000	13,352,000
	1,837,168,000	1,493,088,000
Earnings from operations before income taxes	57,054,000	58,394,000
Income taxes:		
Current	23,788,000	24,629,000
Deferred	3,118,000	4,364,000
	26,906,000	28,993,000
Earnings from operations	30,148,000	29,401,000
Equity in earnings of associated companies	3,026,000	2,717,000
Net earnings for the fiscal year	\$ 33,174,000	\$ 32,118,000
Net earnings per share	\$.44	\$.47

Consolidated Retained Earnings	Fiscal year ended	
	January 5, 1977	January 7, 1976
Balance at beginning of year	\$ 162,711,000	\$ 147,752,000
Net earnings for the fiscal year	33,174,000	32,118,000
	195,885,000	179,870,000
Dividends declared (24¢ per share)	18,037,000	17,159,000
Balance at end of year	\$ 177,848,000	\$ 162,711,000

SIMPSON-SEARS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statement of Changes in Financial Position

	Fiscal year ended	
	January 5, 1977	January 7, 1976
Source of Working Capital		
Net earnings for the year	\$ 33,174,000	\$ 32,118,000
Non-cash charges deducted in arriving at net earnings, principally depreciation and deferred income taxes	26,656,000	25,118,000
Equity in earnings of associated companies less dividends received of \$670,000 (1975—\$287,000)	(2,356,000)	(2,430,000)
Working capital from operations	57,474,000	54,806,000
Proceeds from issue of long term debt	63,440,000	71,250,000
Receipts on sales of capital stock	2,278,000	60,498,000
Disposal of fixed assets	2,970,000	1,586,000
	<u>126,162,000</u>	<u>188,140,000</u>
Use of Working Capital		
Expenditures for fixed assets	40,305,000	69,664,000
Retirement of long term debt	9,683,000	11,809,000
Increase in investments and advances	3,050,000	1,721,000
Dividends declared	18,037,000	17,159,000
	<u>71,075,000</u>	<u>100,353,000</u>
Resulting in an increase in working capital of	\$ 55,087,000	\$ 87,787,000
Working capital at end of year	<u>\$486,673,000</u>	<u>\$431,586,000</u>



Vancouver,
British Columbia
Harbour Centre

SIMPSON-SEARS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet

Assets

Current Assets

	January 5, 1977	January 7, 1976
Cash	\$ 5,249,000	\$ 6,178,000
Accounts receivable (Note 2)	459,690,000	396,842,000
Inventories	381,653,000	279,503,000
Prepaid advertising and other charges	37,904,000	32,930,000
	<u>884,496,000</u>	<u>715,453,000</u>

Investments and Other Assets

Investments and advances (Note 3)	32,869,000	27,463,000
Notes receivable on sales of Class A shares of Simpsons-Sears Limited under the Employees' Stock Purchase Plan	4,627,000	4,512,000
	<u>37,496,000</u>	<u>31,975,000</u>

Fixed Assets, at cost

Land	20,722,000	20,801,000
Buildings and improvements	243,226,000	233,494,000
Equipment and fixtures	148,898,000	129,600,000
	<u>410,846,000</u>	<u>383,895,000</u>
Less accumulated depreciation	100,513,000	85,506,000
	<u>310,333,000</u>	<u>298,389,000</u>

Unamortized Bond and Debenture

Discount and Expense	5,745,000	4,780,000
	<u>\$1,238,070,000</u>	<u>\$1,050,597,000</u>



Edmonton, Alberta
Kingsway Garden Mall

Liabilities

Current Liabilities

	January 5, 1977	January 7, 1976
Bank advances and short term notes (Note 4)	\$ 198,106,000	\$ 91,591,000
Accounts payable	99,289,000	106,455,000
Accrued liabilities	54,878,000	47,058,000
Income and other taxes	33,210,000	24,932,000
Contribution payable to Simpsons-Sears Plan for Sharing Profits	2,282,000	2,804,000
Principal payments on long term debt due within one year (Note 5)	5,546,000	6,528,000
Dividend payable March 15, 1977	4,512,000	4,499,000
	<u>397,823,000</u>	<u>283,867,000</u>
Long Term Debt (Note 5)	457,407,000	402,573,000
Deferred Income Taxes	20,243,000	19,091,000
	<u>875,473,000</u>	<u>705,531,000</u>

Shareholders' Equity

Capital Stock (Note 6)

Authorized shares of no par value—

16,000,000 Class A shares

32,000,000 Class B shares

32,000,000 Class C shares

Issued—

13,586,554 Class A shares

(January 7, 1976—13,329,002)

30,811,000 Class B shares

30,811,000 Class C shares

Retained Earnings

	55,805,000	53,411,000
	64,472,000	64,472,000
	64,472,000	64,472,000
	<u>184,749,000</u>	<u>182,355,000</u>
	177,848,000	162,711,000
	<u>362,597,000</u>	<u>345,066,000</u>
	<u>\$1,238,070,000</u>	<u>\$1,050,597,000</u>

Approved by the Board J. C. BARROW, Director J. D. TAYLOR, Director

SIMPSON-SEARS LIMITED AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements

1. SUMMARY OF ACCOUNTING POLICIES:

Principles of Consolidation:

The consolidated financial statements include the accounts of Simpsons-Sears Limited and all subsidiaries. Net assets and net earnings attributable to minority interests are not significant and are not separately reported in the consolidated financial statements.

Inventories:

Inventories are valued at the lower of approximate cost and realizable value. Cost is determined for catalogue order inventories on a first-in, first-out or average cost basis applied by individual items, for retail store inventories on a first-in, first-out basis applied by the retail inventory method, and for supplies and miscellaneous inventories on a first-in, first-out or average cost basis applied by individual items.

Investments:

Investments in associated companies are carried at cost plus the equity in undistributed earnings since dates of acquisition. All other investments are carried at cost.

Depreciation, Amortization, Repairs and Maintenance:

Depreciation and amortization provisions are computed by the straight-line method at rates based on the estimated useful lives of the depreciable assets. The depreciation rates range from 2% to 2½% for buildings and improvements and from 10% to 25% for equipment and fixtures.

Temporary equipment (short-lived equipment such as wood shelving, stock boxes, display equipment, awnings, shades and certain types of floor coverings) acquired for a retail store on or prior to opening are amortized over a period of five years and, with some exceptions, the costs of other temporary equipment are amortized over a twelve month period.

Expenditures for maintenance and repairs are charged to earnings as incurred and expenditures for major renewals and betterments are capitalized.

The cost and accumulated depreciation in respect of property retired or sold are eliminated from the asset and related depreciation accounts. Profits and losses on such retirements or sales are included in earnings.

Unamortized Bond and Debenture Discount and Expense:

Bond and debenture discount and expense are amortized by the reducing balance method or by the straight-line method, as applicable, to the due dates of the respective bonds and debentures.

Income Taxes:

Income taxes are accounted for on the tax allocation basis which relates income taxes to the accounting income for the year.

Profits on Instalment Sales:

Profits on instalment sales, but not the service charges on such sales, are taken into earnings at the time of sale. The service charges are taken into earnings as earned.

Net Earnings per Share:

The calculation of net earnings per share shown on the consolidated statement of earnings is based on the weighted average number of shares outstanding during the fiscal year. The dilutive effect resulting from the assumed conversion of the 4½% Convertible Debentures is not material.

The Companies Act of British Columbia:

The consolidated financial statements do not purport to comply with certain disclosure requirements unique to the Companies Act of British Columbia.

2. ACCOUNTS RECEIVABLE:

	January 5, 1977	January 7, 1976
Customer instalment accounts	\$426,008,000	\$363,504,000
Miscellaneous accounts	48,169,000	47,001,000
	474,177,000	410,505,000
Less allowance for doubtful accounts	14,487,000	13,663,000
	<u>\$459,690,000</u>	<u>\$396,842,000</u>

In accordance with recognized trade practices, customer instalment accounts include amounts which will not become due within one year.

3. INVESTMENTS AND ADVANCES:

Associated companies	\$ 21,394,000	\$ 19,038,000
Other investments and advances	11,475,000	8,425,000
	<u>\$ 32,869,000</u>	<u>\$ 27,463,000</u>

The Company's equity in the net assets of the associated companies as shown in their financial statements approximates the carrying value thereof.

4. BANK ADVANCES AND SHORT TERM NOTES:

Bank advances include demand notes of \$4,470,000 at January 5, 1977 and \$12,000,000 at January 7, 1976 secured by the pledge of Secured Debentures Series A, payable on demand, of Simpsons-Sears Acceptance Company Limited.

The Company has agreed to give its bankers a charge on inventories to secure its short term bank loans which were outstanding in the amount of \$31,836,000 at January 5, 1977.

5. LONG TERM DEBT:

	January 5, 1977	January 7, 1976
Simpsons-Sears Limited		
First Mortgage Bonds—		
4½% Series B due April 1, 1979	\$ 1,761,000	\$ 2,021,000
5½% Series C due August 15, 1985	6,195,000	6,750,000
7¾% Series D due February 15, 1991	25,000,000	27,588,000
8¼% Series E due May 1, 1993	25,000,000	25,000,000
Debentures—		
10¼% Series A due August 15, 1979	15,000,000	15,000,000
11% Series B due August 15, 1994	35,000,000	35,000,000
10% Series C due June 15, 1982	35,000,000	35,000,000
11¼% Series D due June 15, 1995	35,000,000	35,000,000
4½% Convertible due October 15, 1988	10,358,000	11,512,000
10½% Unsecured Notes due May 28, 1979	5,000,000	5,000,000
	<u>197,871,000</u>	<u>197,871,000</u>
Simpsons-Sears Acceptance Company Limited Secured Debentures—		
6¼% Series B due February 1, 1980	20,000,000	20,000,000
5½% Series C due February 1, 1980 (U.S. \$5,000,000)	4,880,000	4,880,000
5¼% Series D due July 1, 1981	15,000,000	15,000,000
5½% Series E due March 1, 1985	10,000,000	10,000,000
6¼% Series F due March 1, 1986	10,000,000	10,000,000
7% Series G due November 1, 1986	12,200,000	15,000,000
7¼% Series H—\$2,600,000 due August 15, 1977 and \$12,400,000 due August 15, 1987		15,000,000
8¾% Series I due June 15, 1989	8,700,000	8,700,000
9½% Series J due February 1, 1990	6,670,000	6,670,000
8¼% Series K due May 15, 1992	25,000,000	25,000,000
9¼% Series L due March 15, 1994	25,000,000	25,000,000
11½% Series M due November 15, 1994	20,210,000	20,850,000
11½% Series N due November 15, 1994	7,650,000	8,075,000
9¾% Series O due August 1, 1983	19,930,000	—
10¾% Series P due November 15, 1996	35,000,000	—
10¾% Series Q due November 15, 1988	10,000,000	—
	<u>245,240,000</u>	<u>184,175,000</u>
Simpsons-Sears Properties Limited mortgage and bond indebtedness—		
4% to 6% payable in monthly instalments of principal and interest and maturing at various dates from 1985 to 1998, including \$7,639,000 (U.S. \$7,117,000) at January 5, 1977 and \$10,111,000 (U.S. \$9,419,000) at January 7, 1976 payable in U.S. funds	9,716,000	12,233,000
St. Laurent Shopping Centre Limited—		
8% First Mortgage Sinking Fund Bonds due June 1, 1993	14,341,000	14,693,000
8% Income Notes due July 1, 1993	129,000	129,000
	<u>14,470,000</u>	<u>14,822,000</u>
	<u>462,953,000</u>	<u>409,101,000</u>
Less principal payments due within one year included in current liabilities	<u>5,546,000</u>	<u>6,528,000</u>
	<u>\$457,407,000</u>	<u>\$402,573,000</u>

The First Mortgage Bonds of Simpsons-Sears Limited, the mortgage and bond indebtedness of Simpsons-Sears Properties Limited, and the First Mortgage Sinking Fund Bonds of St. Laurent Shopping Centre Limited are primarily secured by first charges on the fixed assets of those companies. The Debentures of Simpsons-Sears Limited are secured, subject to the security given on its First Mortgage Bonds, by a floating charge on all the assets of the Company. The Secured Debentures of Simpsons-Sears Acceptance Company Limited are secured by an assignment of the customer instalment accounts receivable referred to in Note 2.

The 4½% Convertible Debentures are convertible at the holder's option at any time up to October 15, 1978 into 113 Class A shares per \$1,000 principal amount of debentures.

Subsequent to 1977, principal payments required on long term debt for the years shown are as follows: 1978—\$3,367,000; 1979—\$25,099,000; 1980—\$33,791,000; 1981—\$26,925,000.

Since January 5, 1977 Simpsons-Sears Acceptance Company Limited has issued and sold \$30,000,000 principal amount of 9¼% Secured Debentures Series R.

6. CAPITAL STOCK:

During the fiscal year ended January 5, 1977, \$1,154,000 principal amount of 4½% Convertible Debentures were converted into 130,402 Class A shares and 127,150 Class A shares were issued under the Employees' Stock Purchase Plan for \$1,239,713. The shares issued under the Employees' Stock Purchase Plan were issued at market value at time of issue.

All classes of shares rank equally in all respects except that the Class A shares are non-voting and are entitled to a non-cumulative preferential dividend of 2½¢ per share in any year. After payment of a similar dividend to the holders of the Class B and Class C shares all three classes rank equally as to dividends.

continued on next page

7. COMMITMENTS:

The unfunded obligation for past service under the Company's Guaranteed Retirement Income Plan, estimated by independent actuaries to be approximately \$47,840,000 at January 5, 1977, is to be funded and charged to earnings by annual payments through 1990.

Minimum fixed rentals, exclusive of property taxes, insurance and other expenses payable directly by the Company, under leases having an initial term of more than one year are as follows:

1977—\$20,054,000	1982-1986—\$59,994,000
1978—\$18,555,000	1987-1991—\$50,680,000
1979—\$16,681,000	1992-1996—\$45,719,000
1980—\$15,036,000	1997 and
1981—\$13,872,000	thereafter—\$53,028,000

Total rentals charged to earnings under all leases for the fiscal year ended January 5, 1977 amounted to \$23,724,000 (1975—\$19,365,000).

8. CAPITAL EXPENDITURES:

Capital expenditures for the fiscal year ending January 4, 1978 are estimated at approximately \$40,000,000.

9. ANTI-INFLATION PROGRAM:

The Company and its subsidiaries are subject to, and believe that they have complied with, controls on prices, profits, compensation and dividends under the Federal Government's anti-inflation program.

10. REMUNERATION OF DIRECTORS AND OFFICERS:

For the fiscal year ended January 5, 1977 six directors received remuneration amounting to \$34,000 (1975—\$36,000); the remaining eight directors received no remuneration as directors. The remuneration of fifteen officers, two of whom are also directors, amounted to \$1,420,000 (1975—\$1,342,000).

Auditors' Report

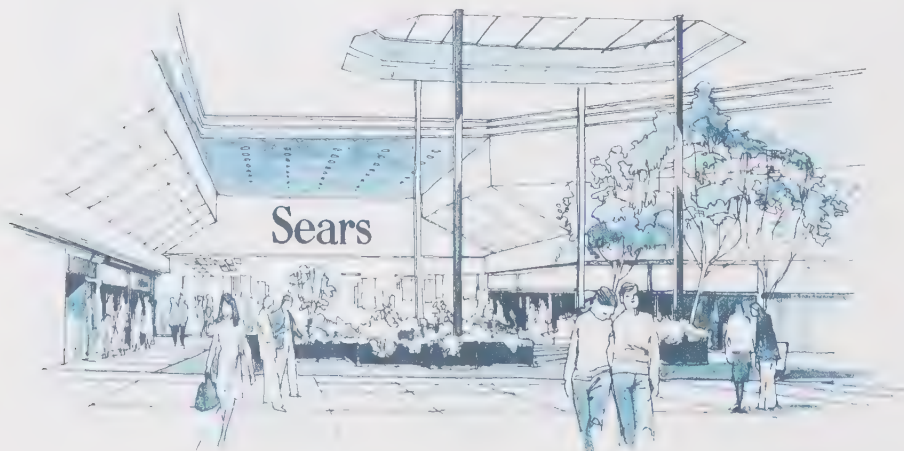
To the Shareholders of Simpsons-Sears Limited:

We have examined the consolidated balance sheet of Simpsons-Sears Limited as at January 5, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at January 5, 1977 and the results of its operations and the changes in its financial position for the fiscal year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, March 15, 1977

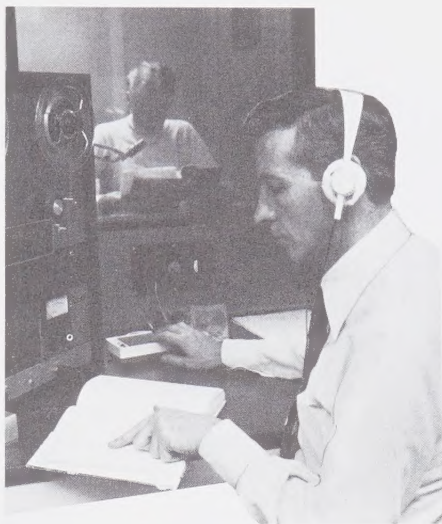
Pierre Caraher
Chartered Accountants



Montreal, Quebec
les Galeries d'Anjou

A COMPANY OF PEOPLE BUILDING FOR THE FUTURE

In our home-delivery areas across Canada, there are over 800 Simpsons-Sears vehicles with safety-conscious drivers making customers' shopping easier.



You'll find Simpsons-Sears people well represented in local clubs and organizations that work towards the common good, and in areas such as the Board of Trade and Chamber of Commerce which concentrate on improving the economic welfare of the community at large.

Simpsons-Sears Laboratory technicians, carefully test a wide range of products to ensure a continuing high level of performance and quality.



Simpsons-Sears professional engineers, quality inspectors and technicians help our buyers work with suppliers to improve quality standards. Simpsons-Sears is constantly looking ahead! For example, we are working closely with the Canadian Government Specification Board on a standardization of garment sizes for women. Our company was among the first to use the Canada Standard Sizing system for children's wear. Again, in conjunction with the federal government, we are developing packaging standardization designed to offer maximum protection for furniture shipments.



Trained catalogue sales professionals are on the job in Canadian towns both large and small, coast to coast. Over 700 conveniently located catalogue selling units offer our customers on-the-spot purchasing assistance and service.

SIMPSON-SEARS LIMITED AND SUBSIDIARY COMPANIES

Ten Year Summary

Results for the year (in thousands)	1976	1975	1974 53 Weeks	1973	1972
Net sales	\$1,890,827	\$1,548,600	\$1,341,128	\$1,073,467	\$894,066
Depreciation	26,566	23,795	18,583	14,876	12,618
Earnings before income taxes	60,080	61,111	69,074	58,249	50,527
Income taxes	26,906	28,993	34,620	27,974	23,868
Net earnings	33,174	32,118	34,454	30,275	26,659
Dividends declared	18,037	17,159	14,914	13,516	7,991
Expenditures for fixed assets	40,305	69,664	70,270	35,996	34,598

Year-end position (in thousands)

Inventories	381,653	279,503	268,738	203,885	164,142
Fixed assets (net)	310,333	298,389	254,106	204,442	183,462
Total assets	1,238,070	1,050,597	941,083	775,598	654,868
Working capital	486,673	431,586	343,799	286,154	274,565
Long term debt	457,407	402,573	342,423	254,073	246,603
Shareholders' equity	362,597	345,066	269,476	248,043	220,379

Per share of capital stock (in dollars)

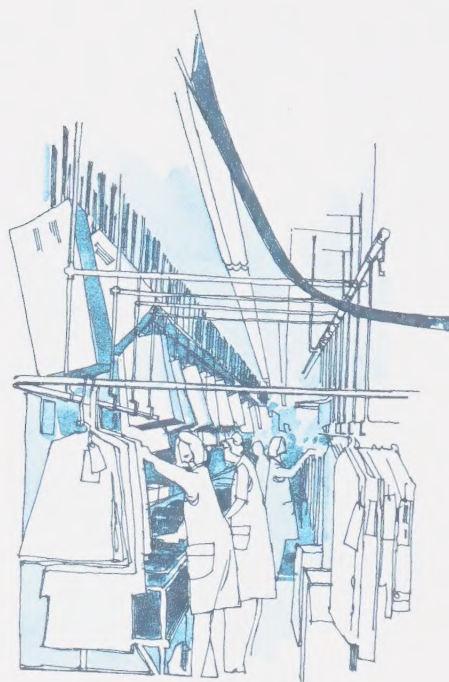
Net earnings	.44	.47	.51	.45	.41
Dividends declared	.24	.24	.22	.20	.12
Shareholders' equity	4.82	4.60	3.97	3.67	3.31

Years 1969 to 1972 inclusive are restated for accounting changes applied retroactively in 1973.
The effect on the results of prior years, not restated, would not be significant.

1971	1970	1969	1968 53 Weeks	1967
\$765,778	\$646,888	\$615,011	\$540,663	\$470,298
11,313	7,884	6,508	5,170	5,351
39,112	25,347	31,367	30,100	26,167
19,409	12,637	15,530	15,680	13,375
19,703	12,710	15,837	14,420	12,792
7,562	7,497	7,404	6,130	6,171
29,545	36,380	24,257	19,121	12,018

136,564	114,201	120,167	104,057	78,531
163,962	147,088	106,557	70,733	60,024
564,039	499,528	450,150	378,773	327,622
228,123	202,928	194,035	182,886	167,768
227,225	199,138	163,981	131,061	112,464
175,101	160,531	150,537	135,937	125,466

.31	.21	.26	.24	.22
.12	.12	.12	.10	.10½
2.78	2.56	2.44	2.22	2.06



The cover illustrates our new distribution centre, opened this year in Ville Saint Laurent, greater Montreal. 1,500 people are employed in this facility of 1,400,000 square feet housing the latest and fastest in distribution systems. The most important single feature of this new addition to the company, is a unique, highly advanced system of computer-controlled, automated sorters for the distribution of wearing apparel. The centre also houses a furniture and heavy-goods area serving Quebec and part of the Maritimes.

*Montreal Distribution Centre
Ville St-Laurent, Quebec*

